

# SMALL AND MEDIUM ENTERPRISE COOPERATIVES ACT

Wholly Amended by Act No. 8363, Apr. 11, 2007

Amended by Act No. 8486, May 25, 2007

Act No. 8635, Aug. 3, 2007

Act No. 8852, Feb. 29, 2008

Act No. 9120, jun. 13, 2008

Act No. 9893, Dec. 30, 2009

Act No. 10355, jun. 8, 2010

Act No. 10953, Jul. 25, 2011

Act No. 11690, Mar. 23, 2013

Act No. 12311, Jan. 21, 2014

Act No. 13086, Jan. 28, 2015

Act No. 13159, Feb. 3, 2015

## Article 1 (Purpose)

The purpose of this Act is to provide for the matters concerning the establishment, management, and development of cooperative organizations, through which small and medium enterprisers consolidate and promote collaborative projects, with aims of providing equal economic opportunities to small and medium enterprisers and encouraging their independent economic activities to improve the economic status of small and medium enterprisers and accomplish the balanced development of the national economy.

## Article 2 (Definitions)

The definitions of terms used in this Act shall be as follows:

1. The term "small and medium enterprisers" means:

(a) Persons who engage in a small or medium business as defined in Article 2 (1) of the Framework Act on Small and Medium Enterprises (including a small or medium business under in paragraph (3) of the same Article of the same Act);

(b) Small and medium enterprise cooperatives;

2. The term "organization related to small and medium enterprises" means a non-profit organization, a majority of the constituent members of which consist of small and medium enterprisers, and which is established pursuant to the Civil Act or any other Act.

### **Article 3 (Categories, etc.)**

(1) Small and medium enterprise cooperatives shall be classified as follows:

1. Cooperatives (hereinafter referred to as "cooperatives");
2. Industrial cooperatives (hereinafter referred to as "industrial cooperatives");
3. Federations of cooperatives (hereinafter referred to as "federations");
4. The Korea Federation of Small and Medium Business (hereinafter referred to as the "Central Federation").

(2) The classification of business types, for which a cooperative, an industrial cooperative, or a federation may be established, shall be prescribed by Presidential Decree.

### **Article 4 (Legal Personality and Address)**

(1) Every cooperative, industrial cooperative, federation, or the Central Federation shall be a legal entity.

(2) The address of a cooperative, an industrial cooperative, or a federation shall be the seat of its principal office, and each of them may have branch offices at such places, at home or abroad, as may be necessary.

(3) The Central Federation shall have its principal office in the Seoul Special Metropolitan City, and may have branches and sub-branches at such places as may be necessary.

### **Article 5 (Use of Titles)**

A cooperative, an industrial cooperative, a federation, or the Central Federation shall use any of the following expressions in its name: *<Amended by Act No. 9120, Jun. 13, 2008; Act No. 10355, Jun. 8, 2010>*

1. For each cooperative, "cooperative" with the relevant business type and the name of locality indicated;
2. For each industrial cooperative, "industrial cooperative" with the name of locality and industry or business indicated;
3. For each federation, "cooperative federation" with either the relevant business type or the pertinent administrative district name indicated;
4. For the Central Federation, the "Korea Federation of Small and Medium Business".

### **Article 6 (Business Territories)**

(1) The business territory of each cooperative (referring to the boundaries of the area in which its member cooperatives or persons qualified as its member have their domiciles; hereinafter the same shall apply) shall be as follows: *<Amended by Act No. 10355, Jun. 8, 2010; Act No. 13159, Feb. 3, 2015>*

1. For nationwide cooperatives: The whole territory of the Republic of Korea;
2. For regional cooperatives: A Special Metropolitan City, Metropolitan City, Special Self-Governing City, Do, or Special Self-Governing Province (hereinafter referred to as "City/Do"): Provided, That a cooperative may have its business territory covering at least two jurisdictions of Cities/Dos, if it is deemed improper for the cooperative to have its business territory covering only a single City/Do, in light of the characteristics of the specific business type, the distribution of related business entities, and peculiarities in the management of the cooperative, while a cooperative may also have its business territory covering only a certain area within a City/Do, if the related business type is wholesale or retail

business, in light of the distribution of the related business entities, etc.

(2) Each industrial cooperative may specify its business territory nationwide, in a City/Do, or in a Si/Gun/Gu: Provided, That the business territory of an industrial cooperative established with the same industry shall be as follows: <Amended by Act No. 10355, Jun. 8, 2010>

1. A single Si/Gun/Gu or the specific area of a Si/Gun/Gu;
2. If it is deemed improper for the cooperative to have its business territory covering only a single Si/Gun/Gu or the specific area of a Si/Gun/Gu in light of the characteristics of the specific business type, the distribution of related business entities, and peculiarities in the management of the cooperative, at least two jurisdictions of Sis/Guns/Gus (including a Si/Gun/Gu in another City/Do) or the specific areas of at least two jurisdictions of Sis/Guns/Gus.

(3) The business territory of each federation shall be as follows:

1. A federation with a specific business type indicated in its name: The whole territory of the Republic of Korea;
2. A federation with a specific administrative district indicated in its name: A specific City/Do: Provided, That a federation may have its business territory covering at least two Cities/Dos, if it is deemed improper for the federation to cover only a single City/Do, in light of the peculiarities in the management of the federation.

(4) The Central Federation shall have its business territory covering the whole territory of the Republic of Korea, and shall be the only federation that has overall control over all business types and industries.

#### **Article 7 (Nature)**

(1) Each cooperative, industrial cooperative, federation, or the Central Federation shall meet the following requirements, except as provided for otherwise in this Act: <Amended by Act No. 9120, Jun. 13, 2008>

1. Its purpose shall be to provide mutual aid for members or member cooperatives, but not to pursue profit;
2. Its members or member cooperatives shall have an equal voting right for resolution and election: Provided, That each member cooperative of a federation with a specific business type indicated in its name shall have the voting right for resolution and election in proportion to the number of members of the cooperative, as stipulated in the federation's articles of association.

(2) No cooperative, industrial cooperative, or federation, or the Central Federation shall carry on its business solely for the benefit of specific members or member cooperatives.

#### **Article 8 (Prohibition on Involvement in Politics)**

(1) No cooperative, industrial cooperative, or federation, nor the Central Federation shall get involved in any political activity.

(2) No cooperative, industrial cooperative, or federation, nor the Central Federation shall engage in any activity to support a specific political party nor cause any specific candidate to be elected or fail to be elected.

(3) No one shall commit any activity under paragraph (2) by making use of any cooperative, industrial cooperative or federation, or the Central Federation.

#### **Article 9 (Duties of the Government and Local Governments to Cooperate)**

(1) The heads of central administrative agencies and local governments shall provide full cooperation in the business carried out by a cooperative, an industrial cooperative, or a federation, or the Central Federation, and the Government, local governments, and public organizations shall provide their facilities preferentially to them for their convenience, whenever any of them desires to use any of their facilities.

(2) Each local government may lease or provide a parcel of land or a facility, which is public property under control of the local government, to a cooperative, an industrial cooperative, or a federation, or the Central Federation free of charge for their use and benefit, as a part of its support for such projects as installation and operation of facilities that small and medium enterprises can use in common, joint exhibition or sales of the products from small and medium enterprises.

(3) The chairperson of the Central Federation may present his/her opinion to the Government concerning the development of cooperatives, industrial cooperatives, federations, or the Central Federation.

#### **Article 10 (Prohibition on Public Officials from Holding Concurrent Offices)**

No public official shall take office in any cooperative, industrial cooperative, federation, or the Central Federation as an officer or employee: Provided, That any public official elected under the Public Official Election Act may become an officer or an employee of any cooperative, industrial cooperative, federation, or the Central Federation, except as a standing officer or employee of a cooperative, industrial cooperative, or federation, or the chairperson of the Central Federation.

#### **Article 11 (Mutatis Mutandis Application of Other Acts)**

Except as otherwise provided for in this Act, the relevant provisions of the Civil Act or the Commercial Act shall apply mutatis mutandis to cooperatives, industrial cooperatives, federations, and the Central Federation.

#### **Article 12 (Supervision by Competent Administrative Agencies)**

(1) Cooperatives that have a nationwide business territory pursuant to Article 6, industrial cooperatives, federations with a specific business type indicated in their names, and the Central Federation shall be supervised by the Administrator of the Small and Medium Business Administration. *<Amended by Act No. 10355, Jun. 8, 2010>*

(2) Cooperatives not subject to supervision by the Administrator of the Small and Medium Business Administration under paragraph (1), industrial cooperatives, and federations with a name of a specific administrative district indicated in their names shall be supervised by a Special Metropolitan City Mayor, a Metropolitan City Mayor, the Mayor of a Special Self-Governing City, a Do Governor, or the Governor of a Special Self-Governing Province (hereinafter referred to as "Mayor/Do Governor"). In such cases, if a cooperative has its business territory covering at least two jurisdictions of Sis/Guns/Gus, it shall be supervised by the Mayor/Do Governor having jurisdiction over the location of its main office. *<Newly Inserted by Act No. 10355, Jun. 8, 2010; Act No. 13159, Feb. 3, 2015>*

(3) Matters necessary for supervision under paragraphs (1) and (2) shall be prescribed by Presidential Decree. <Amended by Act No. 10355, Jun. 8, 2010>

#### **Article 12-2 (Formulation of Policies on Small and Medium Enterprise Cooperatives)**

(1) The Administrator of the Small and Medium Business Administration shall formulate a plan to promote the vitalization of functions of small and medium enterprise cooperatives (hereinafter referred to as "promotion plan") every three years.

(2) Promotion plans shall include:

1. Basic direction-setting for policies to support the vitalization of functions of small and medium enterprise cooperatives;
2. Plans to promote joint business of small and medium enterprise cooperatives;
3. Education of executives and employees of small and medium enterprise cooperatives;
4. Plans for cooperation with other cooperatives;
5. Other matters prescribed by the Administrator of the Small and Medium Business Administration to vitalize the functions of cooperatives.

(3) The Administrator of the Small and Medium Business Administration may request the heads of related central administrative agencies or Mayors/Do Governors to submit data and opinions necessary for formulating a promotion plan. In such cases, the heads of related central administrative agencies or Mayors/Do Governors in receipt of such request shall cooperate therewith, except in extenuating circumstances.

#### **Article 13 (Qualification for Membership)**

(1) Small or medium enterprisers under subparagraph 1 (a) of Article 2 who engage in an identical type of business in a certain cooperative's business territory and industrial cooperatives that engage in an identical type of business or related types of business in a certain cooperative's business territory shall be eligible for membership in such cooperative, as prescribed by its articles of association.

(2) A cooperative may, if any extraordinary grounds exist, admit any person other than small or enterprisers under subparagraph 1 (a) of Article 2 as a member, as stipulated by its articles of association.

(3) A cooperative may admit any small and medium enterpriser under subparagraph 1 (a) of Article 2 who engages in a different type of business as a member, as prescribed by its articles of association: Provided, That the number of such small or medium enterprisers shall not exceed 20/100 of the total number of members in an identical type of business. <Newly Inserted by Act No. 10355, Jun. 8, 2010>

#### **Article 14 (Special Members)**

A cooperative may admit economic organizations, institutions and organizations related to small and medium enterprises, or the relevant small or medium enterprises with their domiciles within the cooperative's business territory as special members, as stipulated by its articles of association.

#### **Article 15 (Procedures for Admission)**

(1) Where the articles of association requires that a person who intends to be admitted to the cooperative obtain a confirmation on his/her qualification for the membership of the cooperative, pay the amount

equivalent to the number of subscribed units of equities as a contribution, and also requires that the cooperative collect the admission fee, the person shall become a member when he/she completes such payment or fully or partially succeeds to the equities of a member.

(2) A cooperative shall not reject any person qualified for membership in the cooperative and who is willing to join the cooperative, nor require such a person to accept any conditions more disadvantageous than those required at the time current members were admitted, without justifiable grounds.

(3) A cooperative may restrict the readmission of a person who has discretionarily withdrawn from the cooperative under Article 24 and a person expelled from the cooperative under Article 25 (1) 3 for a prescribed period not exceeding two years, as prescribed by its articles of association. *<Amended by Act No. 13159, Feb. 3, 2015>*

#### **Article 16 (Contribution)**

(1) Each member shall have at least one unit of equity in contribution as stipulated by the relevant articles of association.

(2) The value of each unit of equity shall be equal.

(3) The number of units of equity that a member is permitted to hold shall not exceed twenty percent of the total number of units of such equity.

(4) No member may claim to offset the payment of his/her contribution against his/her claims to the cooperative.

(5) If a member suspends his/her business, closes down part of his/her business, or any other unavoidable cause exists, the cooperative may reduce the units of equity of such member only at the end of the corresponding business year, as stipulated by the articles of association.

(6) Article 26 shall apply mutatis mutandis to cases under paragraph (5).

(7) The liability of a member shall be limited to the amount of his/her contribution.

#### **Article 17 (Minimum Total Amount of Contribution to Cooperative)**

The minimum total amount of contribution that a member shall be allowed to pay to a cooperative when the cooperative is organized shall be prescribed by Presidential Decree.

#### **Article 18 (Revolving Contribution)**

A cooperative may require its members to re-contribute all or part of surplus earnings distributed in accordance with its articles of association in addition to the contribution under Article 16. In this case, Article 16 (4) shall apply mutatis mutandis.

#### **Article 19 (Voting Rights for Resolutions or Elections)**

(1) Each member shall have one vote on each resolution or in each election: Provided, That voting rights may be exercised only by each person who has been a member of the relevant cooperative from six month prior to the last day of the term of office for officers or representatives (or the day on which grounds for holding a by-election are finalized, in cases of a by-election) to the day of voting. *<Amended by Act No. 9120, Jun. 13, 2008>*

(2) Each cooperative may restrict the voting rights for resolution or election of members, as prescribed by the articles of association. <Amended by Act No. 9120, Jun. 13, 2008>

(3) In order to exercise voting rights, members shall be present at the meeting: Provided, That they may exercise their rights for resolution in writing or by electronic documents for matters notified in advance, as prescribed by the articles of association. <Newly Inserted by Act No. 9120, Jun. 13, 2008>

(4) Members may exercise their voting rights by proxy as qualified under the articles of association. In this case, as prescribed by the articles of association, each proxy shall submit documents or electronic documents attesting his right of representation to a cooperative prior to exercising voting right. <Newly Inserted by Act No. 9120, Jun. 13, 2008>

(5) Persons who exercise their voting rights in accordance with the proviso to paragraph (3) and paragraph (4) shall be deemed present at the meeting. <Amended by Act No. 9120, Jun. 13, 2008>

(6) The number of members whom a proxy may represent shall be limited to only one person. <Amended by Act No. 9120, Jun. 13, 2008>

#### **Article 20 (Payment for Expenses)**

(1) A cooperative may require its members to pay its expenses in accordance with its articles of association.

(2) Members of a cooperative may not claim to offset against the cooperative in connection with the payment for expenses under paragraph (1).

#### **Article 21 (Charges and Fees)**

A cooperative may collect charges and fees in accordance with its articles of association.

#### **Article 22 (Succession to Membership)**

(1) Notwithstanding the provisions of Article 15, a person qualified for membership in a cooperative as the heir of a deceased member of the cooperative shall be deemed to be admitted at the time when the inheritance proceedings commence, if the person files an application for such membership within the period of time stipulated by its articles of association. In this case, the heir member shall succeed to the rights and obligations of the deceased member with respect to the equity of the predecessor.

(2) If the deceased has a number of heirs, paragraph (1) shall apply only to one person chosen by the heirs.

#### **Article 23 (Transfer of Equities)**

(1) Members of a cooperative shall not transfer their equities without the approval of the cooperative.

(2) Any person who is not a member but desires to acquire equity by transfer shall follow the process for admission to membership.

(3) A transferee of equity shall succeed to the rights and obligations of the transferor.

(4) Members of a cooperative may not hold units of equity in common.

#### **Article 24 (Discretionary Withdrawal)**

Any member of a cooperative may withdraw from the cooperative by providing thirty day's prior notice.

#### **Article 25 (Statutory Withdrawal)**

(1) A member shall be withdrawn from a cooperative on any of the following grounds:

1. Forfeiture of any qualifications for membership;
2. Death or dissolution;
3. Expulsion;
4. Declaration of Bankruptcy.

(2) Expulsion under paragraph (1) 3 shall be executed with regard to any of the following members, subject to the resolution of the general meeting of members:

1. A member who neglects his/her duty to pay any contribution or to bear any expenses, or any other duty that he/she owes to the cooperative;
2. A member who falls under any ground for expulsion as stipulated in the articles of association.

(3) In cases under paragraph (2), the cooperative shall notify the member concerned of the ground for expulsion at least ten days prior to the opening of a general meeting of members to give him/her an opportunity to make a statement at the general meeting.

(4) Any intended expulsion shall not be effective against the supposedly expelled member unless and until to the member is notified of the intended expulsion.

#### **Article 26 (Refund of Withdrawing Member's Equity and Suspension of Refund)**

(1) A member who withdraws from a cooperative may request the cooperative to refund his/her equity in accordance with the articles of association.

(2) The equities under paragraph (1) shall be determined according to the assets of the cooperative as at the end of the business year immediately preceding the year in which the date of withdrawal falls.

(3) In computing the equities under paragraph (2), the cooperative may, if it is unable to fully perform its obligations with the assets it has on hand, require the withdrawing member to pay the portion of losses he/she shall bear in accordance with the articles of association.

(4) The cooperative may suspend the refund of equity units until the withdrawing member fully performs his/her obligations owed to the cooperative.

(5) The rights to claim under paragraphs (1) and (3) shall be extinguished by prescription if they are not exercised within two years after withdrawal.

#### **Article 27 (Promoters)**

(1) In order for a cooperative to be established, promoters are required who are qualified for membership in the cooperative under Article 13 and fall under any of the following subparagraphs: Provided, That the same shall not apply to special industries recognized as unlikely to meet the standards under the following subparagraphs in light of the number of small and medium enterprisers under subparagraph 1(a) of Article 2: <Amended by Act No. 10355, Jun. 8, 2010>

1. Establishment of a cooperative with its business territory covering a single City/Do or a certain area of a single City/Do requires 30 or more promoters: Provided, That the establishment of such cooperative consisting of wholesalers or retailers requires 50 or more promoters;



2. Establishment of a cooperative with its business territory covering the whole territory of the Republic of Korea or two or more Cities/Dos requires 50 or more promoters: Provided, That such cooperative consisting of wholesalers or retailers requires 70 or more promoters.
- (2) Each cooperative shall maintain the number of its members equivalent to the number of promoters under each subparagraph of paragraph (1), even after it is duly formed.
- (3) The Administrator of the Small and Medium Business Administration may publicly notify necessary matters, such as the stipulation that several Cities/Dos or Sis/Guns/Gus shall have each proper minimum number of promoters in order for the promoters under each subparagraph of paragraph (1) to smoothly conduct joint business, etc. in a business territory. *<Newly Inserted by Act No. 10355, Jun. 8, 2010>*

#### **Article 28 (Inaugural General Meeting)**

- (1) Promoters shall prepare the articles of association and issue a public notice of the articles of association along with the time and place of the inaugural general meeting to hold such a meeting.
- (2) The public notice under paragraph (1) shall be given at least two weeks before the opening date of the inaugural general meeting.
- (3) The adoption or amendment of the articles of association prepared by the promoters, the establishment of a business plan, and other decisions on the matters necessary for the establishment of a cooperative shall be made by the resolution of the inaugural general meeting.
- (4) The resolution of the inaugural general meeting shall be adopted with the attendance of a majority of the persons who are qualified for membership in the cooperative and consent to the establishment of the cooperative and with the affirmative vote of two-thirds or more of those present at the meeting.

#### **Article 29 (Mandatory Provisions of Articles of Association)**

- (1) The articles of association of a cooperative shall contain provisions concerning the following matters:
1. Objectives;
  2. Name;
  3. Business territory;
  4. Business;
  5. Addresses of places of business;
  6. Qualifications for members and proxies;
  7. Admission, withdrawal, expulsion of members;
  8. Prescribed number and appointment of officers;
  9. Value per unit of equity and payment method;
  10. Allocation of expenses;
  11. Business year;
  12. Appropriation of surplus earnings and disposition of deficit;
  13. Amount and accumulation method of reserves;
  14. Matters concerning the collective standards and inspection of products;

15. Grounds for dissolution;

16. Method of issuing public notices.

(2) In addition to the provisions enumerated in paragraph (1), the articles of association of a cooperative shall, if any person is determined to contribute in kind, provide for the name of such a person and the kind, quantity, and value of the assets to be conveyed in contribution, and the number of units of equity given thereto, while the articles of association shall, if there is any asset to be received after the formation of the cooperative, provide for the kind, quantity, and value of such assets and the name of the transferor.

#### **Article 30 (Mandatory Provisions of By-Laws or Regulations)**

(1) The following matters may be prescribed by the by-laws in addition to the provisions of the articles of association:

1. Matters concerning budgets and accounts;
2. Matters concerning imposition of admission fees and expenses;
3. Other matters concerning imposition of duties on members.

(2) The following matters may be provided by regulations in addition to the articles of association:

1. Matters concerning the general meeting, the board of directors, and other meetings;
2. Matters concerning execution of business affairs;
3. Matters concerning members;
4. Matters concerning officers;
5. Other necessary matters.

#### **Article 31 (Minutes of Meetings)**

(1) Minutes shall be kept of the proceedings of the inaugural general meeting.

(2) The minutes shall record the progress and resolutions of the meeting, and shall be signed by the chairperson and all promoters.

#### **Article 32 (Authorization for Establishment)**

(1) Promoters shall submit, upon closing the inaugural general meeting, the articles of association, a business plan, and a written statement that describes the names and addresses of officers and other necessary matters, without delay, to the competent administrative agency to obtain an authorization for establishment.

(2) If any promoter refuses to sign the minutes under Article 31 (2), a majority of promoters may file an application for authorization for establishment, along with an accompanying statement explaining such situation.

(3) Necessary matters concerning the authorization for establishment under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 33 (Transfer of Business to President)**

Promoters shall, upon obtaining the authorization under Article 32, transfer the business to the president within two weeks from the date of such authorization.

### **Article 34 (Payment of Contributions)**

(1) The president shall, upon having the business transferred pursuant to Article 33, require persons who intend to join the cooperative as a member to pay their contributions within three weeks from the date on which the business is transferred.

(2) The payment of contributions under paragraph (1) shall not be made in installments.

(3) Persons who make payments in kind in contribution shall deliver all assets subject to such contribution within the payment period prescribed in paragraph (1).

### **Article 35 (Business Activities)**

(1) Every cooperative may conduct all or some of the following business activities in order to achieve the objectives of its establishment: *<Amended by Act No. 9893, Dec. 30, 2009; Act No. 10953, Jul. 25, 2011; Act No. 13159, Feb. 3, 2015>*

1. Joint business activities that involve production, processing, receipt of orders, sales, purchases, storage, transportation, environmental improvements, trademarks, services, etc., and the development, management, and operation of commercial complexes and common facilities for such activities;
2. Planning business coordination between members and coordination according to the plan, and filing petitions to the competent administrative agency for conciliation where anyone other than small or medium enterprises encroaches on the business field of the relevant cooperative;
3. Intermediation and coordination in consignment transactions between consigning enterprises under the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises and consignee enterprises which are members of the relevant cooperative;
4. Matters concerning the collective standards for products and joint inspection, testing, and research;
5. Granting or intermediation of loans (including discount of notes) to members of the cooperative for business funding, and borrowing of loans for funding projects executed by the cooperative itself;
6. Projects related to guidance for business administration, technology and quality control, and also survey, research, education, and provision of information concerning the business of members of the cooperative;
7. Conclusion of collective contracts to promote the economic interests of members;
8. Exportation of products manufactured by members and importation and price research of raw materials and facilities necessary for production of their products;
9. Welfare and fringe benefits for members;
10. Business affairs entrusted by the State, a local government, the Central Federation, or a federation;
11. Establishment and management of overseas facilities for exhibition and sales to facilitate exportation by members;
12. Profit-making business activities necessary for achieving the objectives of its establishment that have obtained approval from the competent administrative agency;
13. Support for negotiations and adjustments of payments for subcontract between a prime contractor and a subcontractor who is a member, under the Fair Transactions in Subcontracting Act;

14. Mutual-aid projects (excluding guarantee projects necessary for the performance, etc. of liabilities or obligations of members);

15. Other business activities incidental to those referred to in subparagraphs 1 through 14.

(2) If necessary for promoting any of the business activities referred to in paragraph (1), every cooperative may invest in any other corporation, upon obtaining approval from the competent administrative agency.

(3) Any cooperative may allow any person other than its own members to use its services so long as such use does not cause any inconvenience to its members, as prescribed by the articles of association.

*<Amended by Act No. 9120, Jun. 13, 2008>*

#### **Article 35-2 (Mutual-Aid Regulations)**

(1) Where a cooperative conducts a mutual-aid project referred to in Article 35 (1) 14, it shall prescribe mutual-aid regulations and obtain authorization from the competent administrative agency. The same shall apply to amendments of such regulations.

(2) Mutual-aid regulations referred to in paragraph (1) shall include matters necessary for managing a mutual-aid project, as prescribed by Ordinance of the Ministry of Trade, Industry and Energy, such as the scope of the mutual-aid project, matters concerning the implementation of the mutual-aid project, the mutual-aid fund, agreements and fees for mutual aid, and mutual aid liability reserves. *<Amended by Act No. 11690, Mar. 23, 2013>*

#### **Article 36 (Business Plan)**

(1) Any cooperative shall prepare a business plan and a budget for revenue and expenditure within two months after the commencement date of each business year, as prescribed by Presidential Decree and then go through the resolution of the general meeting. The same shall also apply to any revision thereto.

(2) Ordinary expenses and operating expenses urgently required before the general meeting adopts the resolution under paragraph (1) may be disbursed in accordance with the budget for the preceding year.

#### **Article 37 (Collective Standards and Quality Certification)**

(1) Any cooperative may establish the collective standards applicable to products produced or manufactured by its members pursuant to Article 27 (1) of the Industrial Standardization Act. In such cases, the cooperative may establish such standards in conformity with the standards prescribed by other Acts and subordinate statutes, if such standards exist. *<Amended by Act No. 8486, May 25, 2007>*

(2) Any cooperative may certify the quality of a product in conformity with the collective standards established under paragraph (1), as prescribed by Ordinance of the Ministry of Trade, Industry and Energy. *<Amended by Act No. 8852, Feb. 29, 2008; Act No. 11690, Mar. 23, 2013>*

#### **Article 38 (Inspection According to Collective Standards)**

(1) Any cooperative may inspect products produced by its members to determine whether they conform to its collective standards, as prescribed by its articles of association.

(2) Every cooperative shall establish inspection regulations to prescribe the matters necessary for its inspections.

(3) The inspection regulations under paragraph (2) may provide for the matters concerning the inspection fee and late payment charge leviable on members.

(4) The provisions of paragraphs (1) through (3) may apply mutatis mutandis to those who are not members, as prescribed by Presidential Decree, if the competent administrative agency deems it necessary.

#### **Article 39 (Indication of Quality Certification)**

(1) Any member of a cooperative may put an indication on each of his/ her products, which has successfully passed an inspection, to indicate that its products conform to the collective standards, as prescribed by inspection regulations.

(2) Paragraph (1) shall also apply mutatis mutandis to those who are not members, in cases where the competent administrative agency takes a measure pursuant to Article 38 (4).

#### **Article 40 (Collective Contract)**

(1) The collective contract under Article 35 (1) 7 shall be made in writing with a clear statement therein that it is a collective contract, subject to a prior resolution of the board of directors: Provided, That if it is deemed as urgent as there is insufficient time to convene the board of directors to make a collective contract, the president may execute such collective contract and then shall convene the board of directors without delay to obtain ratification thereof, as prescribed by the articles of association.

(2) Each collective contract of a cooperative shall be binding on every member of the cooperative.

(3) No member of a cooperative may sign a contract that contravenes a collective contract of the cooperative.

(4) If any cooperative meets the requirements of inspection under the provisions of Articles 37 through 39, the Government, a public organization, or a government-invested institution shall provide an opportunity to such cooperative preferentially whenever it purchases any goods.

#### **Article 41 (Fund for Vitalizing Cooperative Functions)**

(1) Any cooperative may install and operate a fund for vitalizing the cooperative with aims of vitalizing its functions, and promoting its business in a sustainable and efficient way.

(2) Matters necessary for the installation, operation, etc. of the fund for vitalizing a cooperative under paragraph (1) shall be prescribed by the articles of association.

#### **Article 42 (Function Vitalization System)**

(1) Every cooperative shall make efforts to establish an operating system under which it can vitalize its own functions and promote its business efficiently (hereinafter referred to as the "function vitalization system").

(2) The Administrator of the Small and Medium Business Administration or the Mayor/ Do governor may provide cooperatives that have established a function vitalization system preferentially with better and more favorable aids than other cooperatives in promoting the measures for supporting small and medium enterprises.

(3) Necessary matters concerning the details of the function vitalization system and the guidelines for aids therefor may be prescribed and publicly notified by the Administrator of the Small and Medium Business

Administration or may be prescribed by Municipal Rule of the Mayor/ Do governor concerned.

#### **Article 43 (General Meeting)**

- (1) Each cooperative shall hold general meetings.
- (2) The general meeting shall be composed of members of the cooperative.
- (3) The annual general meeting shall be held once each business year at the time prescribed by the articles of association.
- (4) An extraordinary general meeting may be called when deemed necessary, as prescribed by the articles of association.

#### **Article 44 (General Meeting of Representatives)**

- (1) A cooperative may, if the number of its members exceeds 200 persons, have a general meeting of representatives in lieu of the general meeting of members, as stipulated by its articles of association.
- (2) The prescribed number of representatives forming the general meeting of representatives under paragraph (1) shall be at least one-tenth of the total number of members as at the time when the representatives are elected: Provided, That the total number of representatives may be fixed at 100 persons if it exceeds 100 persons.
- (3) The provisions governing general meetings of members shall apply mutatis mutandis to general meetings of representatives: Provided, That the general meeting of representatives shall have no power to adopt a resolution concerning any matter under subparagraphs 2 and 3 of Article 49.
- (4) The provisions relevant to directors of Articles 50 (2) and 52 shall apply mutatis mutandis to the method of election and term of office for representatives.

#### **Article 45 (Calling of General Meetings of Members)**

- (1) The president shall have the power to call general meetings of members.
- (2) If a member requests the president to call an extraordinary general meeting in writing with the consent of at least one-fourth of all members, specifying the purposes and reasons for the meeting, the president shall convene the extraordinary general meeting within two weeks from the day on which such request is made.
- (3) If a member has filed a request to call a general meeting under paragraph (2) but no person has the authority to call the general meeting or the president does not call such general meeting within two weeks from the day on which such a request was filed, the auditor shall call the meeting within seven days. In this case, the auditor shall act on behalf of and for the chairperson.
- (4) If the auditor does not or is unable to call a general meeting within the time provided for in paragraph (3), the representative of the members who requested to call the general meeting under paragraph (2) shall call the meeting. In this case, the representative of the members shall act on behalf of and for the chairperson.
- (5) If the office of the president is vacant or the president is unable to call the general meeting due to any unavoidable cause, one of directors in the order stipulated by the articles of association shall call the meeting.

#### **Article 46 (Procedure for Holding Meetings)**

A general meeting shall be called at least seven days before the scheduled opening date of meeting in the manner prescribed by the articles of association with the items on its agenda clearly stated.

#### **Article 47 (Matters Subject to Resolution of General Meeting)**

(1) The following matters shall be subject to the resolution of a general meeting:

1. Amendment to the articles of association;
2. Establishment, amendment, or repeal of by-laws;
3. Establishment of or revision to the budget for revenue and expenditure and the business plan for each business year;
4. Approval on settlement of accounts;
5. Methods of charging and collecting expenses;
6. Expulsion of a member;
7. Dissolution, merger, or split-off of the cooperative;
8. Election and removal of an officer;
9. Appropriation of reserve funds;
10. Acquisition and disposition of real property;
11. Other matters specified by the articles of association.

(2) Any amendment to the provisions specified by Presidential Decree in the articles of association shall be made with prior authorization of the competent administrative agency: Provided, That the same shall not apply to an amendment made in accordance with the model articles of association set up by the competent administrative agency.

(3) The power to make an amendment concerning the matters under paragraph (1) 3 and the matters under subparagraphs 5, 10, and 11 of the same paragraph may be delegated to the board of directors, as stipulated by the articles of association.

#### **Article 48 (Resolution of General Meetings)**

(1) General meetings shall adopt resolutions with the attendance of a majority of all members and with the affirmative vote of a majority of those present, except as provided otherwise by this Act, the articles of association, or by-laws.

(2) The president shall take the chair of the general meeting: Provided, That a person appointed at the general meeting shall act on behalf of and for the chairperson if the chairperson is absent from the meeting for any reason.

(3) The general meeting shall have the power to adopt a resolution only concerning the matters notified in advance pursuant to Article 46: Provided, That the same shall not apply if any provision in the articles of association exists to the contrary.

(4) Minutes of meeting shall be prepared to keep records of the proceedings of general meetings and resolutions adopted thereof, and the chairperson and two or more directors designated at the general meeting shall write their signatures and affix their seals thereon.

(5) A member of a cooperative shall not participate in a resolution on any matter, if his/her interest conflicts with the cooperative's interest in connection with such matter.

#### **Article 49 (Extraordinary Resolution)**

A resolution concerning any of the following matters shall be adopted with the attendance of a majority of all members and the affirmative vote of at least two-thirds of those present at the meeting:

1. Amendment to articles of association;
2. Expulsion of a member;
3. Dissolution, merger, or split-off of the cooperative.

#### **Article 50 (Officers)**

(1) Every cooperative shall have one president, at least five directors, one standing director, and up to two auditors as its officers. In such cases, the title of the standing director may be stipulated by the articles of association.

(2) The president, directors, and auditors shall be elected at the general meeting from among members, as specified by the articles of association. In such cases, a member who wishes to be elected as the president, a director, or auditor shall have been a member of the relevant cooperative from six months prior to the last day of the term of office for the president, director or auditor to elect (or the day on which grounds for holding a by-election are finalized, in cases of by-election) to the day of voting. *<Amended by Act No. 9120, Jun. 13, 2008>*

(3) Qualifications for candidacy of persons admitted as members of a cooperative under Article 13 (2) or (3) for the president may be restricted, as prescribed by the articles of association. *<Newly Inserted by Act No. 13159, Feb. 3, 2015>*

(4) The standing director shall be appointed by the president from among the non-member candidates qualified as prescribed by Presidential Decree and recommended by the board of directors.

(5) The offices of president, directors, and auditors among officers of a cooperative shall be non-standing.

#### **Article 51 (Grounds for Disqualification as Officers)**

(1) None of the following persons can be an officer of a cooperative: *<Amended by Act No. 12311, Jan. 21, 2014>*

1. An incompetent under adult guardianship, or a person declared bankrupt but not yet reinstated;
2. A person whose qualification is deprived of or suspended by operation of law or a court ruling;
3. A person in whose case two years have not yet passed since a sentence of imprisonment without prison labor or heavier punishment imposed upon him/her was completely executed (including where it shall be deemed completely executed) or exempted;
4. A person sentenced to suspension of execution of imprisonment without prison labor or heavier punishment and is still in the suspension period;
5. A person in whose case two years have not yet passed since he/she was sentenced to a fine of at least one million won under this Act in connection with any business affair of a cooperative;



6. A person who had been elected as an officer under this Act but his/her election was held invalid under this Act due to a cause attributable to him/her, and two years have not passed since his/ her election was finally held invalid;

7. A person specified by Presidential Decree among several representative directors, if appointed under Article 389 (1) of the Commercial Act, and joint representative directors appointed under paragraph (2) of the same Article.

(2) An officer shall be automatically dismissed from his/her office, if he/she falls under any subparagraph of paragraph (1).

(3) Acts in which an officer dismissed under paragraph (2) was involved before his/her dismissal shall remain effective.

#### **Article 52 (Terms of Office for Officers)**

(1) The term of office for a non-standing officer shall be four years, while that for a standing officer shall be three years: Provided, That the term of office for each officer appointed at the time of the establishment of a cooperative shall be one year.

(2) The term of office for an officer who is elected to fill a vacancy shall be the remaining term of office for his/her predecessor, while the term of office for an officer who is elected separately during the term of office for other officers as a result of an increase of the number of officers shall expire at the end of the term of office for other officers incumbent as of the time of his/her appointment: Provided, That the term of office for a standing director shall be three years.

(3) If any vacancy exists for an officer, a person shall be elected to fill such vacancy within two months from the day on which the event or cause giving rise to such vacancy occurs: Provided, That a vacancy for an officer need not be filled if the remaining term of office is less than six months, subject to the resolution of the board of directors.

(4) The term of office for officers newly elected subsequently after all officers retire from their offices during their term of office shall be the term under the main sentence of paragraph (1): Provided, That the term of office for such officers shall expire on the closing date of the annual general meeting held during the year in which the term of office for them expires.

#### **Article 53 (Restrictions on Election Campaign)**

(1) No person shall engage in any of the following conduct with intent to cause him/herself or any specific person to be successfully elected to an office or cause any specific person to be defeated in an election:

1. Providing, offering to provide, or promising to provide money, goods, entertainment, or any interest in property, or a public or private job, to any voter;
2. Engaging in any conduct provided for in subparagraph 1 with regard to any person who is running for or has become a candidate, with intent to cause the person fail in the campaign for the candidate or resign from the candidate.

(2) No person shall receive any benefit or public or private job, specified in paragraph (1) 1 or 2 or accept any offer to provide such benefit or job.

(3) No person who is willing to become an officer shall canvass members of the cooperative door to door, or gather them in a specific place for his/her election campaign.

(4) No person shall publish any false information verbally or on the poster, or in any other way in connection with an officer election or defame any candidate by disclosing false information to the public.

(5) No person shall engage in election campaigns by any means other than the following: <Amended by Act No. 13159, Feb. 3, 2015>

1. Posting campaign posters;
2. Distributing official electoral information and printed materials;
3. Holding joint speeches and public forums;
4. Using telephones (including text messages) and computer communications (including electronic mails).

(6) Detailed matters concerning the methods of election campaigns under paragraph (5) shall be prescribed by Ordinance of the Ministry of Trade, Industry and Energy. <Newly Inserted by Act No. 13159, Feb. 3, 2015>

#### **Article 54 (Organization and Operation of Electoral Management Committee)**

(1) Each cooperative may organize and operate an electoral management committee to manage its officer elections in a fair manner.

(2) Necessary matters concerning the functions, composition, operation, etc. of the electoral management committee shall be prescribed by the articles of association.

#### **Article 55 (Board of Directors)**

(1) The board of directors shall have the power to make decisions on the execution of business affairs of the cooperative.

(2) The board of directors shall be composed of the president, directors, and the standing director.

(3) The president shall have the power to call the board of directors and shall take the chair of the meeting.

(4) The board of directors shall adopt a resolution with the attendance of a majority of its constituent members and the affirmative vote of a majority of those present at the meeting.

(5) Directors may participate in voting by means of a written statement or an electronic document, or by proxy, as prescribed by the articles of association.

(6) Minutes of meetings shall be prepared to keep records of the proceedings of the board of directors, and the chairperson and two or more directors designated by the board of directors shall write their signatures.

#### **Article 56 (Matters Subject to Resolution of Board of Directors)**

The board of directors shall have the power to adopt resolutions on the following matters:

1. Matters concerning the standard qualifications for membership;
2. Matters concerning borrowing and repayment of loans;
3. Matters to be included in the agenda of general meetings for resolutions;
4. Matters delegated by general meetings and matters concerning execution of business affairs of the cooperative;

5. Matters concerning the recommendation of candidates for the chairmanship of the Central Federation;
6. Establishment, amendment, or repeal of regulations;
7. Other matters prescribed by the articles of association.

**Article 57 (President's Duties)**

A cooperative shall be represented by the president who shall have overall control over business affairs of the cooperative.

**Article 58 (Duties of Standing Director)**

The standing director of a cooperative shall assist the president in executing the business affairs of the cooperative and shall vicariously perform the duties of the president (excluding the president's duties to call general meetings and preside over general meetings as the chairperson; hereinafter the same shall apply), if the office of president is vacant or the president is unable to perform his/her duties due to an unavoidable cause or event.

**Article 59 (Vacancy for Standing Director)**

If the office of standing director is vacant or if the standing director is unable to perform his/her duties due to an unavoidable cause or event, a person appointed by the president as stipulated by the articles of association among non-members shall act on behalf of and for the director.

**Article 60 (Auditors' Duties)**

- (1) Auditors shall audit the status of property and executed business affairs of the cooperative and report it to the general meeting.
- (2) Auditors shall, whenever they discover any wrongdoing in the status of property or executed business affairs of the cooperative, report it to the general meeting, the competent administrative agency, the federation, or the Central Federation.
- (3) An auditor shall represent the cooperative in cases where the cooperative enters into a contract with the president or a director. The same shall also apply to lawsuits between the cooperative and the president or a director.

**Article 61 (Auditors' Liability)**

@Article 65 of the Civil Act shall apply mutatis mutandis where the audit neglects his/her duties.

**Article 62 (Prohibiting Officers from Holding Concurrent Offices)**

- (1) No officer of a cooperative shall concurrently hold another office of the cooperative: Provided, That the same shall not apply if permission therefor has been obtained from the competent administrative agency.
- (2) No president shall concurrently hold the office of president of another cooperative.
- (3) No standing director of a cooperative shall hold another full-time job in any place other than the cooperative: Provided, That he/she may concurrently work as an executive of a cooperation in which the cooperative holds at least 50/100 of the total number of exercisable voting stocks, if approved by the board of director. <Amended by Act No. 13159, Feb. 3, 2015>

### **Article 63 (Keeping Articles of Association and Other Documents)**

(1) The president shall keep the articles of association, by-laws, minutes of general meetings and the board of directors, and the list of members at the principal place of business.

(2) The list of members shall contain the following descriptions concerning each member:

1. Name or title and address;
2. Date of Admission;
3. Number of units of contribution, amount of contribution paid, and date of payment;
4. Number of employees, total amount of assets, facilities, capacity, and performance of production, and other necessary matters.

(3) Any member or creditor of a cooperative may request the president to allow him/her to inspect the documents under paragraph (1) or make copies thereof at any time.

(4) The president shall not reject any request under paragraph (3) without justifiable grounds.

### **Article 64 (Keeping Documents Relating to Settlement of Accounts)**

(1) The president shall prepare a business report, a balance sheet, an income statement, and a proposed plan for appropriation of surplus funds or disposition of any deficit, and submit them to the auditors by no later than seven days prior to the opening date of the annual general meeting, and retain them at the principal place of business.

(2) The president shall submit the documents under paragraph (1) along with the auditors' written opinion attached thereto to the annual general meeting for approval.

(3) Any creditor of a cooperative may request the president to allow him/ her to inspect the documents under paragraph (1) or make copies thereof at any time.

(4) The president shall not reject any request under paragraph (3) without justifiable grounds.

### **Article 65 (Inspection of Accounting Books, etc.)**

(1) Members of a cooperative may request the president, with consent of at least one-fifth of all members, to allow them to inspect accounting books and documents or make copies thereof at any time.

(2) The president shall not reject any request under paragraph (1) without justifiable grounds.

### **Article 66 (Request for Re-election of Officers)**

(1) Members of a cooperative may request the cooperative, with the joint signature of at least one-fourth of all members, to hold a re-election for all or some of its officers, as stipulated by the articles of association.

(2) If the general meeting adopts a resolution to approve the request under paragraph (1) by the attendance of a majority of all members and the affirmative vote of at least two-thirds of members present at the meeting, the officers concerned shall be automatically dismissed from office.

(3) The president shall, upon receiving a request under paragraph (1), notify the officers concerned of the reason for re-election at least seven days before the scheduled date of the general meeting and provide them with an opportunity to make statements on their cases at the general meeting.

### **Article 67 (Business Year)**

- (1) The business year of a cooperative shall correspond to the fiscal year of the Government.
- (2) Necessary matters concerning accounting in addition to the provisions of this Act shall be stipulated by by-laws in compliance with the accounting principles established by the chairperson of the Central Federation.

### **Article 68 (Devaluation of Unit of Contribution)**

- (1) Once a cooperative resolves to devalue the unit of contribution, it shall prepare a balance sheet within two weeks from the date of such resolution.
- (2) The cooperative shall issue a public notice to inform creditors that any one who has an objection shall file an application within the period of time under paragraph (1) and shall also issue a peremptory notice to each informed creditor individually.
- (3) The period of time for filing an objection under paragraph (2) shall be at least thirty days.

### **Article 69 (Filing Objections)**

- (1) It shall be deemed that creditors who have not filed an objection during the period of time under Article 68 (2) have approved the devaluation of the unit of contribution.
- (2) The cooperative shall, upon receiving such objection from a creditor, fully perform its obligations or tender any adequate asset as security to the creditor.

### **Article 70 (Reserve Funds and Funds Carried-Over)**

- (1) Each cooperative shall accumulate at least one-tenth of its surplus earnings for its reserve funds until such reserve funds reach the amount stipulated by the articles of association.
- (2) The reserve funds under paragraph (1) shall be accumulated until they reach at least one half of the total amount of contributions.
- (3) The reserve funds under paragraph (1) shall not be used for any purpose other than appropriation for deficits.
- (4) Each cooperative shall carry over at least one-tenth of surplus earnings for each business year to the following business year for appropriation to operating expenses.

### **Article 71 (Appropriation of Surplus Earnings)**

- (1) No cooperative shall distribute surplus earnings unless there are any remaining earnings left over after appropriating them for deficit and deducting the reserve funds and funds carried-over under Article 70.
- (2) The dividends of surplus earnings shall be distributed to each member in proportion to the amount of their contribution and patronage of the cooperative business as stipulated by the articles of association.

### **Article 72 (Prohibition on Acquisition of Equities)**

No cooperative shall acquire equities from its members or receive equities as the subject matter of any pledge.

### **Article 73 (Dissolution)**

- (1) A cooperative shall be dissolved on any of the following grounds:

1. Resolution of a general meeting;
  2. Merger or split-off of the cooperative (excluding a split-off under Article 77 (2));
  3. Bankruptcy of the cooperative;
  4. Occurrence of a cause of dissolution stipulated by the articles of association;
  5. Order of dissolution issued by the competent administrative agency.
- (2) A cooperative shall report its dissolution to the competent administrative agency within two weeks from the date of dissolution, if it is dissolved on a ground set forth in paragraph (1) 1, 4, or 5.
- (3) The competent administrative agency may, when it has issued an order of dissolution under paragraph (1) 5, commission registration of dissolution. *<Newly Inserted by Act No. 9120, Jun. 13, 2008>*

#### **Article 74 (Procedure for Merger)**

- (1) A merger of cooperatives shall be subject to the prior resolution of a general meeting.
- (2) Articles 68 and 69 shall apply mutatis mutandis to a merger of cooperatives.
- (3) A cooperative that intends to merge with another cooperative shall submit a statement on the reasons for the merger, and a business plan and the articles of association for the surviving cooperative or newly established cooperative, to the competent administrative agency for consultation.

#### **Article 75 (Promoters of Merger)**

- (1) In cases where a cooperative is established as a consequence of a merger, promoters appointed from among the members of the merged cooperatives at the general meeting of each cooperative shall jointly prepare the articles of association, appoint officers, and follow other procedures necessary for establishment.
- (2) The term of office for the officers under paragraph (1) shall expire on the opening date of the next annual general meeting.
- (3) Article 49 shall apply mutatis mutandis to the appointment method of the promoters under paragraph (1).

#### **Article 76 (Time and Effects of Merger)**

- (1) A merger of cooperatives shall become effective when the cooperative surviving the merger or the cooperative formed as a consequence of the merger completes the registration of merger at the registry office having jurisdiction over the seat of its principal office.
- (2) The cooperative surviving a merger or the cooperative formed as a consequence of a merger shall succeed to the rights and obligations of the cooperative dissolving upon such merger.

#### **Article 77 (Split-off)**

- (1) A cooperative that intends to split off one of its segments shall determine, by the resolution of its general meeting, the extent of the rights and obligations to which the cooperative to be established after the split-off shall succeed.
- (2) If a cooperative engages in two or more different business sectors as specified in the guidelines prescribed by Presidential Decree, it may perform a split-off with an affirmative vote of a majority of the members in certain part of the business sector, notwithstanding Articles 47 (1) and 49.

(3) Articles 68 and 69 shall apply mutatis mutandis to the split-off of a cooperative.

**Article 78 (Qualification for Membership)**

Small and medium enterprisers defined in subparagraph 1 (a) of Article 2 and specified by the articles of association of an industrial cooperative shall be qualified for membership in the industrial cooperative: Provided, That Article 13 (1) and (3) shall apply mutatis mutandis to members of an industrial cooperative in an identical type of industry. <Amended by Act No. 10355, Jun. 8, 2010>

**Article 79 (Provisions Applicable Mutatis Mutandis)**

**Article 80 (Promoters)**

The establishment of an industrial cooperative shall be initiated by five or more promoters who are qualified for membership therein: Provided, That Article 27 (1) 1 and 2 shall apply mutatis mutandis to a promoter who intends to establish the industrial cooperative in a City/Do or nationwide. <Amended by Act No. 10355, Jun. 8, 2010>

**Article 81 (Provisions Applicable Mutatis Mutandis)**

@Articles 27 (2) and 28 through 34 shall apply mutatis mutandis to the establishment of industrial cooperatives. In such cases, "cooperative" shall be construed as "industrial cooperative," and "attendance of a majority and at least two-thirds of those present" in Article 28 (4) as "at least two-thirds," while Article 29 (1) 14 shall not apply mutatis mutandis thereto.

**Article 82 (Business Activities)**

(1) Any industrial cooperative may engage in all or some of the following business activities: <Amended by Act No. 9120, Jun. 13, 2008; Act No. 10953, Jul. 25, 2011; Act No. 13159, Feb. 3, 2015>

1. Executing collaborative projects for production, processing, contracting, selling, purchasing, storage, transportation, and other services and the development, management, and operation of industrial complexes and common facilities;
2. Granting or intermediating loans to members for business funding (including discount of notes) or borrowing loans for funding businesses executed by the industrial cooperative itself;
3. Providing members with guidance, training programs, and information for management, technology, and quality control in their business and conducting research projects;
4. Executing collective contracts for pursuing the economic interests of members;
5. Exportation of products produced by members and importation of raw materials necessary for production of such products;
6. Activities for the welfare and well-being of members;
7. Joint research projects for development of technology, new products, management skills, etc.;
8. Business affairs entrusted by the State, a local government, the Central Federation, a federation, or a cooperative;
9. Profit-making projects approved by the competent administrative agency as necessary for achieving the objectives of its establishment;

10. Mutual aid projects (excluding guarantee projects necessary for the performance, etc. of liabilities or obligations of members);
  11. Support for negotiations and adjustments of payments for subcontract between a prime contractor and a subcontractor who is a member, under the Fair Transactions in Subcontracting Act;
  12. Any business activities incidental to those referred to in subparagraphs 1 through 11.
- (2) An industrial cooperative referred to in Article 12 (2) 2 (b) of the Distribution Industry Development Act and a shopping district promotion cooperative referred to in Article 18 of the same Act may engage in the following business activities in addition to the business activities under paragraph (1):
1. Business activities for establishing the order for sound commercial transactions in a large store or shopping district;
  2. Installation, operation and management of facilities for the protection and convenience of consumers and members;
  3. Other business activities incidental to those referred to in subparagraphs 1 and 2.
- (3) The Administrator of the Small and Medium Business Administration may coordinate some of the business activities of a specific industrial cooperative if a dispute has arisen or is likely to arise between a national cooperative and an industrial cooperative in connection with the business activities referred to in paragraph (1), while the Mayor/ Do Governor may do so if a dispute has arisen or is likely to arise between any cooperative other than a national cooperative and an industrial cooperative in connection with the business activities referred to in paragraph (1), considering the peculiarities in the locality, business sector, and the business purposes of the industrial cooperative involved.

#### **Article 83 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 35 (2) and (3), 35-2, 36 and 40 through 42 shall apply mutatis mutandis to the business activities of industrial cooperatives. In this case, the term "cooperative" shall be construed as "industrial cooperative". *<Amended by Act No. 10953, Jul. 25, 2011>*

#### **Article 84 (Officers)**

- (1) Each industrial cooperative shall have one president, two or more directors, and two or less auditors as its officers: Provided, That it may have one standing director as stipulated by the articles of association, if necessary.
- (2) The standing director shall be appointed by the president from among non-members recommended by the board of directors.

#### **Article 85 (Provisions Applicable Mutatis Mutandis)**

@Articles 43 through 49, 50 (2), (3), and (5), and 51 through 66 shall apply mutatis mutandis to industrial cooperatives. In such cases, "cooperative" shall be construed as "industrial cooperative." *<Amended by Act No. 13159, Feb. 3, 2015>*

#### **Article 86 (Accounting)**

The provisions of Articles 67 through 72 shall apply mutatis mutandis to the accounting of industrial cooperatives. In this case, the term "cooperative" shall be construed as "industrial cooperative".



### **Article 87 (Dissolution and Liquidation)**

The provisions of Articles 73 through 77 shall apply mutatis mutandis to the dissolution and liquidation of industrial cooperatives. In this case, the term "cooperative" shall be construed as "industrial cooperative".

### **Article 88 (Qualification for Membership)**

(1) In cases where a federation bears the title of a specific business sector under its name, the cooperatives for the same business sector and the industrial cooperatives shall be qualified for membership in such federation, as stipulated by the articles of association of the federation. *<Amended by Act No. 9120, Jun. 13, 2008>*

(2) In cases where a federation bears the name of a specific administrative district, the cooperatives and industrial cooperatives whose business territory covers the whole or part of the business territory of the federation shall be qualified for membership in such federation.

### **Article 89 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 14 through 18, the proviso to Article 19 (1), Article 19 (2) through (6), Articles 20, 21, and 23 through 26 shall apply mutatis mutandis to the membership of a federation. In this case, the term "cooperative" shall be construed as "federation", the term "members" as "members or representatives", the term "special members" as "special member cooperatives", and the term "20/100" in Article 16 (3) as "two-fifths". *<Amended by Act No. 9120, Jun. 13, 2008>*

### **Article 90 (Promoters)**

The establishment of a federation shall be initiated by the promoters qualified for membership under Article 88 and specified in the following subparagraphs:

1. Three or more cooperatives as promoters for a federation with the title of a specific business sector in its name: Provided, That a federation whose business sector is a wholesale or retail business shall have ten or more promoter-cooperatives;
2. Five or more cooperatives as promoters for a federation with the name of a specific administrative district in its name.

### **Article 91 (Mandatory Provisions of Articles of Association)**

The articles of association of each federation shall contain the following provisions:

1. Purpose;
2. Name;
3. Business territory;
4. Business;
5. Seat of office;
6. Qualifications for members cooperatives and agents;
7. Admission to and withdrawal and expulsion from, membership;
8. Prescribed number and appointment of officers;
9. Value of one unit of contribution and payment method therefor;

10. Allocation of expenses;
11. Business year;
12. Appropriation of surplus earnings and disposition of deficit;
13. Amount of reserve fund and accumulation method thereof;
14. Matters concerning collective standards of products and inspection thereof;
15. Grounds for dissolution;
16. Method of public notice.

**Article 92 (Provisions Applicable Mutatis Mutandis)**

@Articles 27 (2), 28, and 30 through 34 shall apply mutatis mutandis to the establishment of a federation. In such cases, "cooperative" shall be construed as "federation," "members" as "members or representatives," and "president" as "chairperson," respectively.

**Article 93 (Business Activities)**

(1) A federation may engage in all or some of the following business activities: Provided, That any federation whose name bears the name of a certain administrative district shall not engage in the business activities under subparagraphs 4, 5, 9, 10, and 14 and other business activities specified by Presidential Decree: <Amended by Act No. 9893, Dec. 30, 2009; Act No. 10953, Jul. 25, 2011>

1. Executing collaborative projects for manufacturing, processing, selling, purchasing, storage, transportation, environmental improvement, trademarks, services, etc. and development, management, and operation of industrial complexes and common facilities for such purposes;
2. Filing applications for conciliation with the competent administrative agency where conciliation between member cooperatives is required in connection with their businesses or any person, other than small and medium enterprisers encroaches on the business area of its member cooperatives;
3. Intermediating and coordinating consignment transactions between a consigning enterprise and a consigned enterprise, a member of a member cooperative, under the Act on the Promotion of Collaborative Cooperation between Large Enterprises and Small-Medium Enterprises;
4. Intermediating loans to member cooperatives for an enterprising fund and borrowing loans for the federation's business;
5. Matters concerning collective standards for products and inspection thereof;
6. Giving guidance for organization, business activities, development of new technology, and quality control in its member cooperatives;
7. Furnishing member cooperatives with training programs and information and implementing projects for promotion of informatization;
8. Conducting surveys and research on cooperatives;
9. Concluding collective contracts for pursuing the economic interests of member cooperatives;
10. Exporting products manufactured by members of its member cooperatives and importing and researching prices of raw materials and building materials required by members of its member cooperatives for manufacturing their products;

11. Executing business affairs entrusted by the State, a local government, or the Central Federation;
  12. Installing and managing exhibitions and fairs, at home and abroad, for member cooperatives;
  13. Engaging in profit-making business activities approved by the competent administrative agency as necessary for achieving the objectives of its establishment;
  14. Supporting payment adjustment of subcontracting between a prime contractor and a subcontractor who is a member, under the Fair Transactions in Subcontracting Act;
  15. Mutual aid projects (excluding guarantee projects necessary for the performance, etc. of liabilities or obligations of members);
  16. Other business activities incidental to those under subparagraphs 1 through 15.
- (2) Any federation may, if necessary for promoting any business activity under paragraph (1), request any of its member cooperatives to submit a report or issue an order as required, as prescribed by its articles of association or by-laws.
- (3) Any federation may audit matters relating to the business activities and accounting of its member cooperatives as prescribed by its articles of association and may also receive cooperation from the Central Federation to conduct such audit jointly with the Central Federation, if necessary.
- (4) Every federation shall order a member cooperative to take corrective measures, if it finds, as a result of an audit under paragraph (3), that any matter needs to be corrected, and shall report the results of such audit to the competent administrative agency through the Central Federation.

#### **Article 94 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 35 (2) and (3), 35-2 and 36 through 42 shall apply mutatis mutandis to the business activities of each federation. In this case, "Article 35 (1) 7" in Article 40 (1) shall be construed as "Article 93 (1) 9", the term "cooperative" as "federation", and the term "members" as "member cooperatives or members of a member cooperative" respectively. <Amended by Act No. 9120, Jun. 13, 2008; Act No. 10953, Jul. 25, 2011>

#### **Article 95 (Officers)**

- (1) Each federation shall have one chairperson, five or more directors, one standing director and up to two auditors as its officers.
- (2) General meetings shall be composed of representatives as prescribed by the articles of association, and the chairperson, directors and auditors shall be elected from among the representatives, as prescribed by the articles of association, but the chairperson may not concurrently hold the office of president of a cooperative.
- (3) The standing director shall be appointed by the chairperson from among non-member cooperatives or non-members of a member cooperative, qualified as prescribed by Presidential Decree and recommended by the board of directors.
- (4) Representatives shall be elected from among members of member cooperatives as prescribed by the articles of association. In this case, the chairperson shall not lose his/her status as a representative during his/ her term of office, except where he/she falls under Article 24 and any subparagraph of Article 25 (1).

#### **Article 96 (Provisions Applicable Mutatis Mutandis)**

The provisions governing the general meeting, board of directors and officers of a cooperative shall apply mutatis mutandis to the general meeting, board of directors and officers of a federation. In this case, the term "one-fourth" in Article 45 (2) shall be construed as "one-third", the term "one-fifth" in Article 65 as "one-third", the term "one-fourth" in Article 66 (1) as "one-third", the term "cooperative" as "federation", the term "members" as "member cooperatives or representatives (the term "members" in Article 43 (2) shall be construed as "representatives")", the term "president" as "chairperson", and the term "federation or the Central Federation" in Article 60 (2) as "Central Federation", respectively.

#### **Article 97 (Accounting)**

The provisions governing the accounting of each cooperative shall apply mutatis mutandis to the accounting of each federation. In this case, the term "cooperative" shall be construed as "federation" and the term "members" as "member cooperatives".

#### **Article 98 (Dissolution and Liquidation)**

The provisions governing the dissolution and liquidation of a cooperative shall apply mutatis mutandis to the dissolution and liquidation of a federation.

#### **Article 99 (Membership)**

(1) The members of the Central Federation shall consist of regular members and special members.

(2) The following entities shall be qualified for regular membership of the Central Federation: *<Amended by Act No. 13159, Feb. 3, 2015>*

1. Federations;
2. National cooperatives;
3. Regional cooperatives;
4. Industrial cooperatives;
5. Organizations relating to small and medium enterprises;
6. Federations of cooperatives established under Article 71 (1) of the Framework Act on Cooperatives.

(3) Economic organizations, and organizations and institutions relating to small and medium enterprises may be admitted to the Central Federation as special members, as prescribed by its articles of association.

#### **Article 99-2 (Associate Members)**

(1) The Central Federation may have small and medium entrepreneurs who intend to participate in the business performed, or use facilities operated, by the Central Federation as associate members, as prescribed by its articles of association.

(2) The Central Federation may require its associate members to pay admission fees and bear expenses, as prescribed by its articles of association.

(3) Associate members may participate in the business performed, or use facilities operated, by the Central Federation as associate members, as prescribed by its articles of association.

#### **Article 100 (Voting Rights for Resolution and Election)**

- (1) Every regular member shall have one vote on each resolution and in each election.
- (2) If a person qualified as a member of any federation under Article 88 has memberships of at least three federations that have voting rights on resolutions or in elections in the Central Federation, its voting rights on resolutions or in elections may be restricted by the articles of association of the Central Federation.
- (3) Votes on resolutions or in elections held by all organizations relating to small and medium enterprises as regular members shall not exceed 20/100 of the total number of votes on resolutions or in elections in the Central Federation as a whole.
- (4) No inactive cooperatives published on the Official Gazette pursuant to Article 132 (1) shall exercise their voting rights on resolutions or in elections in the Central Federation until they are recognized as resuming their participation in activities under paragraph (2) of the said Article. *<Amended by Act No. 13159, Feb. 3, 2015>*

#### **Article 101 (Admission and Withdrawal)**

- (1) Those specified in Article 99 shall be admitted to the Central Federation as its members as prescribed by the articles of association of the Central Federation.
- (2) A member shall withdraw from the Central Federation if the Central Federation is dissolved, it forfeits its qualification, or an event or cause specified in the articles of association occurs.

#### **Article 102 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 19 through 21 shall apply mutatis mutandis to the membership of the Central Federation. In this case, the term "cooperative" shall be construed as "Central Federation" and the term "members" as "regular members".

#### **Article 103 (Promoters)**

The establishment of the Central Federation shall be initiated by three or more federations or cooperatives specified in Article 99 as promoters.

#### **Article 104 (Mandatory Provisions of Articles of Association)**

The articles of association of the Central Federation shall contain the following provisions:

1. Purpose;
2. Name;
3. Business;
4. Address of place of business;
5. Qualifications for members and their proxies;
6. Admission to and withdrawal and expulsion from membership;
7. Prescribed number and appointment of officers;
8. Allocation of expenses;
9. Appropriation of surplus earnings and disposition of deficits;
10. Business year;
11. Grounds for dissolution;

12. Method of public notice.

**Article 105 (Provisions Applicable Mutatis Mutandis)**

The provisions of Articles 28 and 30 through 33 shall apply mutatis mutandis to the establishment of the Central Federation. In this case, the term "cooperative" shall be construed as "Central Federation", the term "members" as "regular members", and the term "president" as "chairperson", respectively.

**Article 106 (Business Activities)**

(1) The Central Federation may engage in the following business activities: *<Amended by Act No. 10953, Jul. 25, 2011; Act No. 13086, Jan. 28, 2015>*

1. Providing guidance for organization and business activities of cooperatives, industrial cooperatives and federations;
2. Executing projects for protecting the interests of regular members and their sound growth, and making proposals to the Government;
3. Providing regular members with guidance and training programs for business management, technology, and quality control;
4. Furnishing regular members and small and medium entrepreneurs with information and executing projects for promoting informatization;
5. Conducting surveys and research on small and medium enterprises;
6. Granting subsidies to regular members or intermediating grants of subsidies;
7. Borrowing loans for the business of the Central Federation;
8. Operating and managing the mutual aid fund for small and medium enterprises;
9. Executing mutual aid projects for stabilizing the livelihood of small enterprises and small entrepreneurs (referring to small enterprises defined in Article 2 (2) of the Framework Act on Small and Medium Enterprises and small and micro entrepreneurs defined in Article 2 of the Act on the Protection of, and Support for Small and Micro Enterprises; hereinafter the same shall apply);
10. Executing collaborative projects for regular members;
11. Carrying out the business affairs relating to exportation and importation for small and medium enterprises, and installing, operating, and managing exhibitions and fairs, locally and abroad, for products manufactured by small and medium enterprises;
12. Installing and managing industrial complexes and common facilities for small and medium enterprises;
13. Executing business affairs entrusted by the State or a local government;
14. Raising and managing financial resources for supporting regular member's business activities;
15. Establishing and operating research institutes and training institutes for small and medium enterprises;
16. Installing and operating common logistics facilities including warehouses for small and medium enterprises;

17. Facilitating electronic commerce of products manufactured by small and medium enterprises;
  18. Publishing a newspaper relating to small and medium enterprises;
  19. Raising professional human resources necessary for operating small and medium enterprise cooperatives;
  20. Conducting business activities for executing contracts on product liability insurance or such for the products manufactured by small and medium enterprisers for them under Article 639 of the Commercial Act;
  21. Engaging in profit-making business activities approved by the competent administrative agency as necessary for achieving the objectives of its establishment;
  22. Mutual aid projects (guarantee projects necessary for the performance, etc. of liabilities or obligations of members, etc. shall be conducted only for procurement contracts concluded with public agencies);
  23. Projects to improve public awareness referred to in subparagraph 4 of Article 2 of the Special Act on Support for Human Resources of Small and Medium Enterprises;
  24. Other business activities incidental to those referred to in subparagraphs 1 through 23.
- (2) If necessary for promoting any business activity under paragraph (1), the Central Federation may invest in any other corporation with prior approval from the competent administrative agency.
- (3) If necessary for promoting any business activity under paragraph (1), the Central Federation may demand any of its regular members to submit a report on its business affairs and accounting, and issue a necessary order, as prescribed by the articles of association or bylaws.
- (4) The Central Federation may audit the matters relating to the business affairs and accounting of regular members, as prescribed by the articles of association, and when any regular member refuses, interferes with, or evades an audit of the Central Federation, the Central Federation may request the competent administrative agency to take necessary measures. *<Amended by Act No. 13159, Feb. 3, 2015>*
- (5) Whenever it is found that a corrective measure or any other action is required as a result of an audit under paragraph (4), the Central Federation shall order the relevant regular member to take such a corrective measure or other necessary action, and report the results of the audit to the competent administrative agency immediately.
- (6) Upon receipt of a request to take a measure under paragraph (5), a regular member shall take a necessary measure within two months and report the results thereof to the Central Federation. *<Newly Inserted by Act No. 13159, Feb. 3, 2015>*
- (7) If a regular member fails to take a necessary measure within the prescribed period, the Central Federation shall re-request him/her to take the measure under paragraph (5) within one month, and if he/she fails to comply with such request even during the said period, it may request the competent administrative agency to take necessary measures. *<Newly Inserted by Act No. 13159, Feb. 3, 2015>*
- (8) The Central Federation may establish a supportive fund for collaborative projects to support collaborative projects promoted by its members:

1. The supportive fund for collaborative projects shall be raised with the following resources:
  - (a) Investments and contributions from members;
  - (b) Contributions from enterprises;
  - (c) Contributions or loans from financial institutions;
  - (d) Other incomes specified by the articles of association;
2. The supportive fund for collaborative projects under subparagraph 1 shall be spent for the following projects:
  - (a) Projects for developing technology and trademarks jointly;
  - (b) Projects for joint testing and researching;
  - (c) Projects for purchasing and selling goods, and developing markets domestically and abroad jointly;
  - (d) Projects for acquiring certifications on standards domestically and abroad, and entering into international procurement markets;
  - (e) Projects for informatization;
  - (f) Other projects specified by the articles of association.

(9) The chairperson of the Central Federation may appoint an employee as his/her agent to perform in all judicial or extrajudicial affairs, as prescribed by its articles of association.

**Article 106-2 (Provisions Applicable Mutatis Mutandis)**

@Articles 35 (3) and 35-2 shall apply mutatis mutandis to the business affairs of the Central Federation. In such cases, “cooperative” and “member of a cooperative” shall be construed as “Central Federation” and “member of the Central Federation,” respectively.

**Article 107 (Approval on Business Plan)**

(1) The Central Federation shall prepare a business plan and a budget for revenue and expenditure within two months from the commencement date of the business year for approval of its general meeting, and shall file an application for approval thereon with the competent administrative agency within two weeks from the closing date of the general meeting. The same shall also apply to any revision thereto.

(2) Ordinary expenses and operating expenses urgently required before the approval under paragraph (1) may be disbursed in accordance with the budget for the preceeding year.

**Article 108 (Establishment of Mutual Aid Fund for Small and Medium Enterprises)**

The mutual aid fund for small and medium enterprises shall be established for the purpose of preventing small and medium enterprisers from becoming bankrupt and preparing the basis for the projects for collaborative sales and purchases.

**Article 109 (Raising of Mutual Aid Fund for Small and Medium Enterprises)**

(1) The mutual aid fund for small and medium enterprises fund shall be raised with the following financial resources:

1. Mutual aid deposits made by small and medium enterprisers as members of the mutual aid fund for small and medium enterprises;



2. Contributions from the Government, cooperatives, industrial cooperatives, federations and other persons;
3. Loans borrowed for mutual aid operations;
4. Earnings from the management of the mutual aid fund for small and medium enterprises.

(2) Any small or medium enterpriser may join the mutual aid fund for small and medium enterprises: Provided, That the Central Federation and the small and medium enterprisers specified by Presidential Decree including those who fails to achieve the purpose of managing mutual aid fund for small and medium enterprises shall not join the mutual aid fund for small and medium enterprises. <Amended by Act No. 10355, Jun. 8, 2010>

(3) The Government may provide such aid as may be necessary to the small and medium enterprisers joining the mutual aid fund for small and medium enterprises in order to facilitate their joining the fund.

(4) The Government shall appropriate contributions for its expenditure budget, within budget limit, for each fiscal year.

#### **Article 110 (Operation and Management of Mutual Aid Fund for Small and Medium Enterprises)**

(1) The Central Federation shall be responsible for the operation and management of the mutual aid fund for small and medium enterprises.

(2) The Central Federation may, if deemed necessary for operation and management of the mutual aid fund for small and medium enterprises, delegate part of its authority to the head of a financial institution, after obtaining approval from the Administrator of the Small and Medium Business Administration.

(3) The chairperson of the Central Federation and the person who executes the administrative affairs of the mutual aid fund for small and medium enterprises or the person to whom the authority to operate and manage the fund has been delegated shall be liable for damage caused by their intentional or grossly negligent acts committed in the course of operation and management of the fund. In such cases, such liability may be mitigated, except where such damage are caused by an intentional act.

(4) The Central Federation shall draw up a draft fund management plan for each fiscal year, as prescribed by Presidential Decree, and report it to the Administrator of the Small and Medium Business Administration no later than 20 days before the commencement of the pertinent fiscal year, after it is adopted by a resolution of the fund management committee under Article 113 (2). The same shall also apply to any revision thereto.

#### **Article 111 (Use, etc. of Mutual Aid Fund for Small and Medium Enterprises)**

(1) The mutual aid fund for small and medium enterprises shall be spent for the following business activities:

1. Granting mutual aid loans to small or medium enterprisers who have joined the fund to prevent them from becoming bankrupt;
2. Granting aid to an enterprising fund for collaborative purchases and sales of small and medium enterprisers who have joined the mutual aid fund for small and medium enterprises;

3. Other business activities specified by Presidential Decree as necessary for assisting small and medium enterprisers who have joined the mutual aid fund for small and medium enterprises;
4. Business activities incidental to those under subparagraphs 1 through 3;
5. Operation and management of the mutual aid fund for small and medium enterprises under Article 110.

(2) The surplus of the mutual aid fund for small and medium enterprises may be operated in the following manners: <Amended by Act No. 8635, Aug. 3, 2007>

1. Purchase of securities under Article 4 of the Financial Investment Services and Capital Markets Act. In such cases, stocks or any similar or related securities or instruments shall be limited to those reflected in the fund management plan;
2. Deposits in financial institutions;
3. Transactions of exchange-traded derivatives under Article 5 (2) of the Financial Investment Services and Capital Markets Act. In such cases, the latter part of subparagraph 1 shall apply mutatis mutandis;
4. Payment guarantee to financial institutions on the account of the mutual aid fund for small and medium enterprises, after obtaining approval from the Administrator of the Small and Medium Business Administration.

(3) Necessary matters concerning the detailed method, procedures, etc. for the management of the surplus of the mutual aid fund for small and medium enterprises under paragraph (2) shall be prescribed by Presidential Decree.

#### **Article 112 (Accumulation of Reserve for Bad Debt of Mutual Aid)**

- (1) The Central Federation shall collect the reserve for bad debt of mutual aids from the small and medium enterprisers to whom a mutual aid loan is granted for accumulation and management in order to compensate for losses that may be incurred from lending such mutual aid loans.
- (2) The methods, procedures, and other necessary matters concerning accumulation and management of the reserve for bad debt of mutual aid under paragraph (1) shall be prescribed by Presidential Decree.

#### **Article 113 (Organization Responsible for Management of Mutual Aid Fund for Small and Medium Enterprises)**

- (1) The small and medium business mutual aid team shall be organized under the Central Federation in order to manage the mutual aid fund for small and medium enterprises efficiently.
- (2) The small and medium business mutual aid team shall have a fund management committee that shall take the responsibility for deliberation and resolutions on matters relating to the management of the mutual aid fund for small and medium enterprises on behalf of the board of directors of the Central Federation.
- (3) The fund management committee shall consist of up to 11 committee members, including one committee chairperson.
- (4) Necessary matters concerning the organization and operation of the small and medium business mutual aid team and the fund management committee shall be prescribed by Presidential Decree.

#### **Article 114 (Detailed Provisions Governing Mutual Aid Fund for Small and Medium Enterprises)**

Necessary matters concerning the operation and management of the mutual aid fund for small and medium enterprises shall be prescribed by Presidential Decree.

#### **Article 115 (Management and Operation of Mutual Aid Fund for Small Enterprises and Small Enterprisers)**

(1) The Central Federation shall be responsible for the management and operation of mutual aid fund for small enterprises and small enterprisers (hereinafter referred to as "mutual aid fund for small enterprises and small enterprisers") so that small enterprises and small enterprisers can secure stability in their livelihood against threats to their survival from closure of business, aging, etc. and have an opportunity to restore their business.

(2) Necessary matters concerning the methods, procedures, etc. for the management of mutual aid fund for small enterprises and small enterprisers shall be prescribed by Presidential Decree.

#### **Article 116 (Admission to the Membership of Mutual Aid Fund for Small Enterprises and Small Enterprisers)**

(1) Persons who may join the mutual aid fund for small enterprises and small enterprisers shall be limited to the representatives of small enterprises and small enterprisers: Provided, That persons specified by Presidential Decree including those who have already joined the mutual aid fund shall not be admitted to the mutual aid fund for small enterprises and small enterprisers. <Amended by Act No. 9893, Dec. 30, 2009>

(2) A person who wishes to join membership in the mutual aid fund for small enterprises and small enterprisers shall enter into a mutual aid agreement with the Korea Federation of Small and Medium Business. <Amended by Act No. 9120, Jun. 13, 2008>

#### **Article 117 (Raising of Funds)**

The funds for the management of the mutual aid fund for small enterprises and small enterprisers shall be raised with the following resources:

1. Mutual aid deposits made by the members of the mutual aid fund for small enterprises and small enterprisers;
2. Contributions from cooperatives, industrial cooperatives, federations, and other persons;
3. Loans borrowed for the mutual aid fund for small enterprises and small enterprisers;
4. Earnings accrued from operation of the mutual aid fund for small enterprises and small enterprisers.

#### **Article 118 (Business Activities of Mutual Aid Fund for Small Enterprises and Small Enterprisers)**

The mutual aid fund for small enterprises and small enterprisers shall engage in the following business activities:

1. Granting mutual aid when an event or cause to grant mutual aid as specified by Presidential Decree occurs, such as close down of business of a small enterprise or a small enterpriser who has joined the mutual aid fund for small enterprises and small enterprisers;
2. Granting loans to members of the mutual aid fund for small enterprises and small enterprisers;

3. Business activities incidental to those under subparagraphs 1 and 2.

**Article 118-2 (Administrative Committee of Mutual Aid Fund for Small Enterprises and Small Enterprisers)**

(1) In lieu of the board of directors of the Central Federation, the Administrative Committee of Mutual Aid Fund for Small Enterprises and Small Enterprisers (hereafter referred to as the "Administrative Committee of Mutual Aid Fund") shall be established under the small and medium business mutual aid team to examine and make decisions on matters concerning the administration and management of mutual aid fund for small enterprises and small enterprisers.

(2) The Administrative Committee of Mutual Aid Fund is comprised of not more than 11 members, including the chairperson.

(3) Matters necessary for the organization and administration of the Administrative Committee of Mutual Aid Fund shall be prescribed by Presidential Decree.

**Article 119 (Protection of Beneficial Interests)**

No beneficial interest in the payment of mutual aid money may be transferred or seized, or may be offered as security: Provided, That if any ground for paying mutual aid money occurs to a person who has been granted a loan under subparagraph 2 of Article 118 before repaying the loan and interest, the Central Federation may deduct the loan and interest from the mutual aid money. *<Amended by Act No. 13159, Feb. 3, 2015>*

**Article 120 (Accumulation of Reserves)**

(1) The Central Federation shall reflect the reserves as the provision for each type of mutual aid for small enterprises and small enterprisers in preparation for future payments in its settlement of accounts for each fiscal term and shall accumulate and manage them separately.

(2) Necessary matters concerning accumulation and management of the reserves under paragraph (1) shall be prescribed by Presidential Decree.

**Article 121 (Exclusion from Application of Insurance Business Act)**

The Insurance Business Act shall not apply to the mutual aid for small enterprises and small enterprisers.

**Article 122 (Officers)**

The Central Federation shall have the following officers:

1. One chairperson;
2. Five or more vice-chairpersons;
3. One standing vice-chairperson;
4. Ten or more directors;
5. Up to five standing directors;
6. One auditor.

**Article 123 (Appointment of Officers)**

(1) The chairperson shall be elected by vote, as prescribed by the articles of association at the general meeting from among the representative of regular members or the persons recommended by the

representative of regular members: Provided, That the chairperson shall not concurrently hold the office of the chairperson of a cooperative or industrial cooperative or the chairperson of a federation. <Amended by Act No. 10355, Jun. 8, 2010>

(2) The term of the chairperson shall be four years, which may be renewed for only one further term. In such cases, the chairperson shall be deemed to have qualifications for the representative of regular members under the main sentence of paragraph (1). <Newly Inserted by Act No. 10355, Jun. 8, 2010>

(3) Vice-chairpersons and directors shall be elected from among the representatives of regular members at a general meeting, as prescribed by the articles of association. <Amended by Act No. 10355, Jun. 8, 2010>

(4) The standing vice-chairperson shall be appointed by the chairperson from among the persons recommended by the board of directors and approved by the Administrator of the Small and Medium Business Administration as having abundant knowledge and experience in small and medium enterprises. In such cases, he/she shall be appointed from among those who are not members of a cooperative or an industrial cooperative. <Amended by Act No. 10355, Jun. 8, 2010>

(5) Standing directors shall be appointed by the chairperson, as prescribed by the articles of association, and the auditor shall be appointed by the chairperson on the recommendation of the board of directors, after obtaining approval from the Administrator of the Small and Medium Business Administration, and shall serve as full-time officers. In such cases, standing directors and the auditor shall be appointed from among those who are not members of a cooperative or an industrial cooperative, nor members of any organization relating to small and medium enterprises. <Amended by Act No. 10355, Jun. 8, 2010>

(6) The Central Federation may commission the National Election Commission under the Election Commission Act to manage the elections for the chairperson under paragraph (1), as prescribed by the articles of association. <Amended by Act No. 10355, Jun. 8, 2010>

(7) Where the National Election Commission is entrusted with the management of elections for the chairperson of the Central Federation under paragraph (6), Article 272-2 of the Public Official Election Act and Article 14-2 of the Election Commission Act shall apply mutatis mutandis to the crackdown and investigation of violations of this Act. <Newly Inserted by Act No. 13159, Feb. 3, 2015>

#### **Article 124 (Officers' Duties)**

(1) The chairperson shall represent the Central Federation with overall control over its business affairs, and shall take the chair of general meetings and of the board of directors.

(2) If the chairperson is absent from a general meeting for any reason, one of the vice-chairpersons, in the order prescribed in the articles of association, shall act on his/her behalf, while if the chairperson and all vice-chairpersons are simultaneously absent from a general meeting or the board of directors for any reason, the acting chairperson shall be elected at the general meeting to preside over the meeting, and the standing vice-chairperson shall act on behalf of and for the chairperson at the board of directors.

(3) Vice-chairpersons and the standing vice-chairperson shall assist the chairperson, while the standing vice-chairperson shall execute and handle administrative affairs of the Central Federation in compliance with the orders from the chairperson. If the office of the chairperson becomes vacant, one of vice-

chairpersons, in the order prescribed by the articles of association, shall act on behalf of, and for the chairperson, while if the offices of chairperson and all vice-chairpersons become vacant, the standing vice-chairperson shall act on behalf of, and for the chairperson.

(4) Standing directors shall assist the chairperson, vice-chairpersons and the standing vice-chairperson, take the responsibility for the business affairs of the Central Federation as allocated by the chairperson, and shall act on behalf of or for the chairperson as prescribed by the articles of association, if the chairperson, vice-chairpersons, and the standing chairperson are simultaneously absent from office for any reason or their offices become vacant simultaneously.

(5) The auditor shall audit the status of property and executed business affairs of the Central Federation, report it to the general meeting, and carry out the business affairs under Article 106 (4).

#### **Article 125 (Provisions Applicable Mutatis Mutandis)**

Unless otherwise expressly provided for in this Chapter, the provisions governing the general meeting, board of directors, and officers of a cooperative shall apply mutatis mutandis to the general meeting, board of directors, and officers of the Central Federation. In such cases, "cooperative" shall be construed as "Central Federation," "members" as "regular members," "president" in Articles 45 (1) through (3), 48 (2), 55 (3), 57, 64 (1) and (2), and 66 (3) as "chairperson," "president, directors, and auditors" in Article 50 (5) as "chairperson, vice-chairpersons, and the auditor," "standing director" in Article 52 (2) as "standing vice-chairperson, standing directors and the auditor", the term "chairperson, directors, and the standing director" in Article 55 (2) as "chairperson, vice-chairpersons, the standing chairperson, directors, and standing directors," but subparagraph 5 of Article 56 shall not apply mutatis mutandis hereto. <Amended by Act No. 13159, Feb. 3, 2015>

#### **Article 126 (Accounting)**

@Article 67 shall apply mutatis mutandis to the accounting of the Central Federation.

#### **Article 127 (Dissolution and Liquidation)**

The provisions governing the dissolution and liquidation of a cooperative shall apply mutatis mutandis to the dissolution and liquidation of the Central Federation.

#### **Article 128 (Register)**

Each registry shall keep the registers of small and medium enterprise cooperatives, small and medium enterprise industrial cooperatives, federations of small and medium enterprise cooperatives, and the Korea Federation of Small and Medium Business.

#### **Article 129 (Submission of Documents concerning Settlement of Accounts)**

Each cooperative, industrial cooperative, or federation, or the Central Federation shall submit a business report, a balance sheet, an income statement, and documents stating the appropriation of surplus earnings and disposition of deficit for each business year to the competent administrative agency within two weeks from the end of the annual general meeting.

#### **Article 130 (Duty to Report)**

(1) Every cooperative, industrial cooperative, or federation, or the Central Federation shall, whenever any of the following events occurs, report it to the competent administrative agency within two weeks from the date on which such event occurs:

1. Holding a general meeting and the result thereof;
2. Change in its address;
3. Appointment of an officer;
4. Establishment, amendment, or repeal of by-laws or regulations;
5. Signing collective contracts;
6. Changes in members or member cooperatives.

(2) The competent administrative agency may require a cooperative, industrial cooperative, or federation or the Central Federation to submit such report as may be deemed necessary particularly for making sure that it handles its business affairs in an appropriate manner.

(3) The establishment, amendment, or repeal of bylaws under paragraph (1) 4 governing the matters specified in subparagraphs of Article 30 (1) shall be subject to the approval of the competent administrative agency.

#### **Article 131 (Inspection)**

(1) The competent administrative agency may, if it finds that any reasonable ground exists to believe that the operations or accounts of a cooperative, an industrial cooperative, a federation, or the Central Federation are in violation of this Act or its articles of association, require the cooperative, the industrial cooperative, the federation, or the Central Federation to submit such report as may be necessary in connection with its operations or accounts or may conduct an inspection of the status of its operations or accounts.

(2) A member of a cooperative, or a member cooperative or a representative of a federation may, if it is believed that the operations or accounts of the cooperative, industrial cooperative, or federation concerned or the Central Federation are in violation of the articles of association or bylaws, request the competent administrative agency in writing, with consent of at least one-third of all members, representatives, or member cooperatives, to conduct an inspection.

(3) The competent administrative agency shall, upon receiving a request under paragraph (2), inspect the status of operations or accounts of the cooperative, industrial cooperative or federation concerned, or the Central Federation.

#### **Article 132 (Inactive Cooperatives)**

(1) If the competent administrative agency finds, as a result of the investigation conducted at its discretion or upon a report, into the status of activities of the Central Federation, a federation, a cooperative, or an industrial cooperative, that it is actually not operating upon meeting the requirements prescribed by Presidential Decree, shall designate it as an inactive cooperative and inform its chairperson or president that it is an inactive cooperative, and shall publish its finding on the Official Gazette. <Amended by Act No. 13159, Feb. 3, 2015>

(2) If the Central Federation, a federation, a cooperative, or an industrial cooperative has not filed an application for resuming its activities within one year after it is published as an inactive cooperative or organization on the Official Gazette under paragraph (1) or if it is found that it has not resumed its activities even one year after it files an application for resuming its activities, the competent administration agency shall order it to be dissolved pursuant to Article 133 (2). In such cases, Article 133 (3) shall not apply.

#### **Article 133 (Administrative Orders)**

(1) The competent administrative agency may, if it finds that a cooperative, an industrial cooperative, a federation, or the Central Federation falls under any of the following subparagraphs, order it to take corrective measures or any other necessary actions within a given period of time:

1. If its operations or accounts are in violation of any Act and subordinate statute, the articles of association, or by-laws;
2. If it fails to commence its business without justifiable grounds within one year from the date on which its establishment is authorized, or if it has suspended its business for one year or longer;
3. If it fails to complete the registration of its establishment within ninety days after the date on which its establishment is authorized;
4. If the number of its members or member cooperatives has decreased and fails to reach the number required under Article 27 (2) (including cases applied mutatis mutandis pursuant to Article 81 or 92).

(2) The competent administrative agency may order a cooperative, an industrial cooperative, a federation, or the Central Federation to dismiss its officers or to be dissolved if it violates an order issued under paragraph (1): Provided, That if it violates an order issued pursuant to paragraph (1) 3, the authorization for its establishment may be revoked.

(3) The competent administrative agency shall, whenever it intends to issue an order of dissolution pursuant to paragraph (2), hold a hearing.

#### **Article 134 (Assistance in Business)**

The Government shall, whenever it implements a policy for assisting small and medium enterprises in their business, do so through the Central Federation. However, it may implement it through a federation, a cooperative, or an industrial cooperative, if deemed necessary to do so.

#### **Article 135 (Subsidies)**

(1) The competent administrative agency shall subsidize all or part of the expenses required for the management of the Central Federation to foster small and medium enterprises.

(2) The Mayor/ Do governor may subsidize part of the expenses required for the management of branches of the Central Federation within his/her jurisdiction through the Central Federation to foster small and medium enterprises and develop local communities.

(3) The competent administrative agency may subsidize all or part of the expenses required for the establishment of quality standards, inspections, improvements of distribution structure, and other matters relating to the management of a cooperative, an industrial cooperative, or a federation within its budget to



foster small and medium enterprises.

#### **Article 136 (Entrustment of Authority)**

(1) The Administrator of the Small and Medium Business Administration may entrust part of his/her authority under this Act to the head of any other central administrative agency (excluding the Mayor/ Do governor; hereinafter the same shall apply), the chairperson of the Central Federation, or the president of a federation, as prescribed by Presidential Decree.

(2) The Mayor/ Do governor may entrust part of his/her authority under this Act to the chairperson of the Central Federation or the president of a federation, as prescribed by Presidential Decree.

#### **Article 137 (Penal Provisions)**

(1) A person who falls under any of the following subparagraphs shall be punished by imprisonment with prison labor for not more than two years or by a fine not exceeding twenty million won: *<Amended by Act No. 9120, Jun. 13, 2008>*

1. A person who violated Article 8 (3);

2. A person who violated Article 53 (1) or (2) (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125).

(2) A person who violated any provision of Article 53 (3) through (5) (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125) shall be punished by imprisonment with prison labor for not more than one year or by a fine not exceeding ten million won. *<Amended by Act No. 9120, Jun. 13, 2008>*

(3) The prescription period for public prosecution of crimes under paragraphs (1) and (2) shall expire six months after the relevant election day (or six months after the day on which a relevant act was committed in cases where such crime was committed after the election day): Provided, That the period shall be three years in cases where the offender has absconded or has concealed his/her accomplices or witnesses who are needed for proving the crime.

#### **Article 138 (Penal Provision)**

An officer of a cooperative, an industrial cooperative, a federation, or the Central Federation shall be punished by imprisonment with prison labor for not more than three years or a fine not exceeding twenty million won, or both, if he/she provides a loan to someone or disposes of its property for any speculative transaction in deviation of the scope of business of the cooperative, the industrial cooperative, the federation, or the Central Federation. *<Amended by Act No. 9120, Jun. 13, 2008>*

#### **Article 139 (Voidance of Election Due to Election Crime Committed by Elected)**

If the elected in an election for an officer of a cooperative, an industrial cooperative, a federation, or the Central Federation is sentenced to imprisonment with prison labor or a fine of not less than one million won on account of committing a crime under Article 137 (1) 2 or (2), his/her election shall be held void.

#### **Article 140 (Penal Provision)**

If a cooperative, an industrial cooperative, a federation, or the Central Federation violates an order issued pursuant to Article 133 (1) 1 or 2, its officers shall be punished by a fine not exceeding ten million won. *<Amended by Act No. 9120, Jun. 13, 2008>*

## **Article 141 (Fine for Negligence)**

(1) A person shall be punished by a fine for negligence not exceeding 500,000 won, if he/she rejects, interferes with, or evades an inspection under Article 131.

(2) A promoter, an officer or a liquidator of a cooperative, an industrial cooperative, a federation, or the Central Federation shall be punished by a fine for negligence not exceeding 300,000 won, if he/she comes to fall under any of the following subparagraphs:

1. If the cooperative, industrial cooperative, federation, or Central Federation engages in any business other than those allowed under this Act;
2. If he/she violates Article 15 (2) or 25 (3) (including cases applied mutatis mutandis pursuant to Article 79 or 89);
3. If he/she violates Article 43 (3) (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125);
4. If he/she violates Article 62 or 66 (3) (including cases applied mutatis mutandis pursuant to Article 85 or 96);
5. If he/she fails to retain documents or omits to make an entry of any mandatory description in a certain document, makes a false entry of such description, or rejects a request for allowing others to inspect or copy such documents without justifiable grounds in violation of Article 63 or 64 (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125);
6. If he/she rejects a request for allowing others to inspect or copy account books or documents without justifiable grounds in violation of Article 65 (2) (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125);
7. If he/she neglects his/her duty to issue a public notice or provides a false public notice in violation of Article 68 (2) (including cases applied mutatis mutandis pursuant to Article 86 or 97);
8. If he/she violates Article 70 or 71 (including cases applied mutatis mutandis pursuant to Article 86 or 97);
9. If he/she acquires any equity or receives such as a subject matter of a pledge in violation of Article 72 (including cases applied mutatis mutandis pursuant to Article 86 or 97);
10. If he/she violates Article 73 (2) (including cases applied mutatis mutandis pursuant to Article 87, 98, or 127);
11. If he/she violates any provision of Article 93 (2) through (4) or 106 (3) through (5);
12. If he/she fails to submit a document or submits a false document in violation of Article 129;
13. If he/she fails to submit a report under Article 130 or submits a false report.

(3) The Administrator of the Small and Medium Business Administration (referring to the head of an entrusted central administrative agency, if his/her authority has been entrusted to the head of the central administrative agency pursuant to Article 136; hereafter the same shall apply in this Article) or the Mayor/Do governor shall impose and collect fines for negligence under paragraphs (1) and (2) as prescribed by Presidential Decree.

(4) Any person who is dissatisfied with the disposition of a fine for negligence under paragraph (3) may file an objection with the Administrator of the Small and Medium Business Administration or the Mayor/ Do governor within thirty days from the day on which the disposition is notified.

(5) The Administrator of the Small and Medium Business Administration or the Mayor/ Do governor shall, upon receiving an objection under paragraph (4) from a person on whom a fine for negligence under paragraph (3) has been imposed, notify the competent court thereof without delay, and the court shall, upon receiving such notice, submit the case of the fine for negligence to trial pursuant to the Non-Contentious Case Litigation Procedure Act.

(6) If neither an objection is filed nor is a fine for negligence paid within the period under paragraph (4), such fine for negligence shall be collected in accordance with the practices of the disposition on default of national or local taxes.

#### **Article 142 (Protection of Reporters, etc. on Election Crimes)**

@Article 262-2 of the Public Official Election Act shall apply mutatis mutandis to the protection of reporters, etc. on crimes prescribed in 137 (1) 2 and (2) in connection with the election of the chairperson of the Central Federation.

#### **Article 143 (Payment of Monetary Rewards to Reporters on Election Crimes)**

(1) The Central Federation may pay a monetary reward to a person who has reported a crime prescribed in Article 137 (1) 2 or (2) in connection with the election of the chairperson of the Central Federation before the election commission of the Central Federation (including the National Election Commission, where the management of election is entrusted to the National Election Commission) becomes aware of it.

(2) Upper limits of monetary rewards, standards for, and methods of payment of the monetary rewards under paragraph (1) shall be prescribed by the articles of association.

#### **ADDENDA**

#### **Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation.

#### **Article 2 (Applicable Examples to Term of Office for Officers)**

The provisions of Article 52 (including cases applied mutatis mutandis pursuant to Article 85, 96, or 125) shall apply to officers elected on or after July 29, 2006, which corresponds to the date on which the Partial Amendment (Act No. 7944) to the Small and Medium Enterprise Cooperatives Act enters into force.

#### **Article 3 (Transitional Measures concerning Dissolution of Cooperatives, Industrial Cooperatives, and Federations)**

A cooperative, an industrial cooperative, or a federation established before July 1, 2002, which corresponds to the date on which the Amendment (Act No. 6684) to the Small and Medium Enterprise Cooperatives Act enters into force shall be dissolved when six months have passed since the minimum number of its members decreased to less than a majority as stated in the previous provisions of Article

63 (1) 6 (including cases applied mutatis mutandis pursuant to Articles 67-10 and 79) before the date on which the said Amendment enters into force. In this case, Articles 23 (2), 67-3, and 70 (2) cited in the previous provisions of Articles 63 (1) 6, 67-10, and 79 refer to the previous provisions thereof.

**Article 4 (Transitional Measures concerning Business Territory)**

The business territory of a cooperative, an industrial cooperative, or a federation established before July 29, 2006 shall be governed by the previous provisions before the date on which the Partial Amendment (Act No. 7944) to the Small and Medium Enterprise Cooperatives Act enters into force.

**Article 5 (Transitional Measures concerning Penal Provisions or Fines for Negligence)**

In applying penal provisions and provisions concerning fines for negligence, acts committed before the date on which this Act enters into force shall be governed by the previous provisions.

**Article 6 Omitted.**

**Article 7 (Relations with Other Acts and Subordinate Statutes)**

A citation of the previous Small and Medium Enterprise Cooperatives Act or any provision thereof by any other Act and subordinate statute at the time when this Act enters into force shall be deemed to be a citation of this Act or a corresponding provision hereof, if any, in lieu of the previous provision.

ADDENDA <Act No. 8486, May 25, 2007>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year after the date of its promulgation.

**Articles 2 through 10 Omitted.**

ADDENDA <Act No. 8635, Aug. 3, 2007>

**Article 1 (Enforcement Date)**

This Act shall enter into force one year and six months after the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 44 Omitted.**

ADDENDA <Act No. 8852, Feb. 29, 2008>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 9120, Jun. 13, 2008>

(1) (Enforcement Date) This Act shall enter into force three months after the date of its promulgation.

(2) (Transitional Measures concerning Membership of Mutual Aid Fund for Small Enterprises and Small Enterprisers) Mutual aid agreements for small enterprises and small enterprisers made with the small and medium enterprises mutual aid team under the previous provisions at the time when this Act enters into force

shall be deemed mutual aid agreements made with the Korea Federation of Small and Medium Business under the amended provisions of Article 116 (2).

ADDENDUM <Act No. 9893, Dec. 30, 2009>

This Act shall enter into force three months after the date of its promulgation.

ADDENDA <Act No. 10355, Jun. 8, 2010>

(1) (Enforcement Date) This Act shall enter into force three months after the date of its promulgation.

(2) (Transitional Measures concerning Business Territory of Industrial Cooperatives in Identical Type of Business) Application of business territory of an industrial cooperative in an identical type of business, which was established before this Act enters into force shall be governed by the former provisions, notwithstanding the amended provisions of the proviso to Article 6 (2).

(3) (Transitional Measures concerning Maintenance of Number of Members equivalent to Number of Promoters) The former provisions shall, notwithstanding the amended provisions of Article 27 (2), apply to the maintenance of the number of members equivalent to the number of promoters of a cooperative or industrial cooperative established before this Act enters into force.

ADDENDUM <Act No. 10953, Jul. 25, 2011>

This Act shall enter into force six months after the date of its promulgation.

ADDENDA <Act No. 11690, Mar. 23, 2013>

**Article 1 (Enforcement Date)**

(1) This Act shall enter into force on the date of its promulgation.

(2) Omitted.

**Articles 2 through 7 Omitted.**

ADDENDA <Act No. 12311, Jan. 21, 2014>

**Article 1 (Enforcement Date)**

This Act shall enter into force on the date of its promulgation.

**Articles 2 (Transitional Measures concerning Incompetent Persons, etc.)**

An incompetent under adult guardianship referred to in the amended provisions of Article 51 (1) 1 shall be deemed to include a person in whose case the declaration of incompetency or quasi-incompetency remains effective under Article 2 of the Addenda to the partially amended Civil Act (Act No. 10429).

ADDENDA <Act No. 13086, Jan. 28, 2015>

**Article 1 (Enforcement Date)**

This Act shall enter into force on May 28, 2015. (Proviso Omitted.)

**Articles 2 through 8 Omitted.**

ADDENDA <Act No. 13159, Feb. 3, 2015>

**Article 1 (Enforcement Date)**

This Act shall enter into force six months after the date of its promulgation: Provided, That the amended provisions of Article 106 shall enter into force three months after the date of its promulgation and the amended provisions of Articles 6 (1) 2 and 12 (2) on the date of their promulgation.

**Articles 2 (Applicability to Restriction on Qualifications for Candidacy of President)**

The amended provisions of Article 50 (3) shall apply to the first election of the president held after this Act enters into force.

